

Maryland

Department of Business & Economic Development

An Overview ■ January 2004



A Letter from Governor Robert L. Ehrlich, Jr.

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OFFICE OF THE GOVERNOR



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Dear Fellow Marylanders:

It's an exciting time to be a part of the Maryland business community. Why? Because a number of changes over the past year have positioned the Maryland economy to build on a solid 2003 and have an even better 2004.

In this year's departmental overview, you'll notice that the Maryland Department of Business and Economic Development has been reorganized to better serve the needs of Maryland businesses. No longer centralized, the reorganized department allows staff to focus on economic development efforts in three new distinct regions: the Capital Region, Baltimore Region and Rural Maryland Region. This team approach to business development mirrors successful programs other states have adopted and aims not only to increase communication within DBED, but also foster greater communication with local economic development offices across the state.

But the reorganization doesn't stop there. The Governor's Office of Business Advocacy and Small Business Assistance has also been greatly expanded. This expansion is helping GOBA to be more responsive to the needs of small and minority businesses, giving them the tools they need to grow and create jobs. Thanks to these changes, DBED is achieving greater efficiency and eliminating redundancy, helping the department to serve businesses better than ever.

The department's emphasis on technology also gives the state great cause for optimism. Home to 58 accredited institutions of higher learning and the highest percentage of professional and technical workers in the nation, Maryland is a national leader in the area of high-tech business. DBED will continue to provide the tools and incentives necessary to maintain and expand the state's technology pipeline.

But technology isn't the only game in town. The manufacturing sector, for example, is vital to the state's economic stability. Secretary Aris Melissaratos and I both believe that manufacturing has an important role to play in the state and that we must continue to work with this sector to ensure it succeeds in today's global economy.

Business truly does work in Maryland. It's that simple.

Sincerely,

Robert L. Ehrlich, Jr.
Governor





The mission of the Maryland Department of Business and Economic Development is to stimulate private investment, create jobs, attract new businesses to the state, encourage the expansion and retention of existing companies and provide businesses in Maryland with workforce training and financial assistance. The department publicizes Maryland's economic advantages and markets local products and services at home and abroad to spur economic development, international trade and tourism. As part of its promotional mission, the department also supports the arts, film production, sports and other special events.

DBED looks to the future

BY ARIS MELISARRATOS, SECRETARY

You may already be aware, but thanks to an extensive internal reorganization this past year, we now have a totally new DBED. Our Department has a more comprehensive regional focus and will be more responsive and more integrated across divisional lines, and will focus greater resources on small and medium-sized businesses and minority companies.

Of course, this restructuring has resulted in some shifting of current employees. Some DBED staff members have entirely new responsibilities, along with some of our units.

Bill Askinazi has assumed responsibility for Maryland's Capital Region (Montgomery, Prince George's and Frederick counties), **Bob Brennan** will focus his efforts on rural Maryland (Western Maryland, Eastern Shore and Southern Maryland) and **Bob Hannon** is in charge of the Baltimore Region (all Central Maryland jurisdictions). Each assistant secretary leads a team of industry sector and financing experts in their region of responsibility. This integration helps foster greater communication and collaboration in an effort to enhance our presence in each region.

Chris Foster is our new Deputy Secretary. For the time being, he will maintain oversight of Technology Strategy and Business Development, in addition to his new role as second-in-command of our department. Chris also works with

statewide technology councils, incubators, university and federal research facilities and the Maryland Technology Development Corporation (TEDCO) to create new entrepreneurial opportunities across the state in his capacity as State Technology Coordinator. Chris will continue to direct strategic planning by working with our industry sector teams to focus strategy and marketing efforts.

Through the Division of Tourism, Film and the Arts and Assistant Secretary **Dennis Castleman**, the department also enhances Maryland's outstanding quality of life, develops travel products to draw visitors and promotes the state as an ideal place to tour, hold meetings and conventions and produce feature films and television series.

The Division of Economic Policy, Research and Legislative Affairs, under the leadership of Assistant Secretary **Rhonda Ray**, provides timely and accurate analysis of Maryland's economy, business policy issues and related legislative initiatives for the Department of Business and Economic Development, the Governor's Office and other government agencies. The division ties together the related functions of government relations, policy development, research, economic analysis, tax issues and tax credits.



The Governor's Office of Business Advocacy and Small Business Assistance (GOBA) has been expanded in order to focus more resources, including outreach and financing, to small and minority businesses. GOBA is committed to bringing a common sense approach to helping businesses succeed in today's competitive marketplace. Our goal is to reduce or eliminate the barriers that keep Maryland businesses from reaching their full potential.

While the basic framework of the reorganization is in place, there are still some adjustments to be made. Our goal is to structure this agency around core teams of competent, creative people to provide better customer service, enhance communication and improve efficiency.

DBED has launched an expanded Business License Information System (BLIS) Web site that features even more information on small business assistance and county licensing information to help business owners determine which state permits and licenses are required to operate their businesses.

One of the greatest challenges for any business owner is finding your way through the myriad licenses and permits that are required to operate a business. BLIS is designed to help business owners get through this bureaucracy in the most efficient and timely manner possible.

The new expanded BLIS website features small business assistance information on topics such as financing, management and disaster recovery programs. A comprehensive listing, with Internet links, of all Maryland counties and Baltimore City, is another feature of the Web site. In fact, the BLIS Web site is the only site in state government where permitting and licensing information for all Maryland jurisdictions is presented to the public. The site also provides links and information to the Governor's Office of Business Advocacy and Small Business Assistance, the U.S. Small Business Administration and Small Business Development Centers located across the state.

When a Maryland company, large or small, contacts the Department of Business and Economic Development for advice on a challenge it needs to meet, the combined resources of the department and other state agencies are used to help craft a solution for its unique situation.

Business and economic development is a priority of the Ehrlich/Steele Administration. Maryland is indeed open for business.

Our goal is to structure this agency around core teams of competent, creative people to provide better customer service, enhance communication and improve efficiency.

State of the Economy

BY PRADEEP GANGULY, PH.D.

While the nation as a whole is in the midst of a “jobless recovery,” Maryland has been registering modest job growth. During the first 11 months of 2003 (January through November), Maryland registered an average job growth rate of 0.3 percent—16th highest in the nation. The U.S. job growth rate during this period was -0.3 percent. While November's preliminary job growth rate of 0.4 percent produced a ranking for the state of 18th, monthly job growth rates have been revised upward for Maryland in recent months, in some cases significantly.

A quick look at job growth rates across industry sectors in Maryland reveals two trends. First, sectors that had been losing jobs have reduced their losses. Second, sectors that had positive job growth have tended to improve. As a result, the state's overall job growth rate has remained positive. The state's November job growth rate of 0.4 percent is in sharp contrast with the nation's performance, which has yet to show positive job growth. From November 2002 to November 2003, the U.S. economy shed 271,000 jobs—a loss of 0.2 percent of its job base. Data indicate that labor markets remain weak across the nation.

The state's job growth is also fairly broad-based of late. Industry sectors that are exhibiting strong growth include retail trade, truck transportation, finance and insurance, legal services, management and technical consulting services, scientific R&D, administrative and support services, education services, health services, hospitals, nursing and resident care, leisure and hospitality services, eating and drinking places and other services, including repair and maintenance, non-profit organizations.

Although first-time jobless claims fell strongly in early January, this key index has fluctuated in recent months and there is no clear sign of a sustained downward trend. The situation in Maryland is somewhat better. The state continues to enjoy a low unemployment rate, while claims during the second half of 2003 remain somewhat below the levels of the first half of the year. Job growth during the first 11 months of the year was at 0.3 percent—modest by any means, but the state still ranked 16th among all states.

The state's unemployment rate (not seasonally adjusted) also remained well below the national average in November—4.1 percent in Maryland compared to 5.6 percent for the U.S. - the 10th lowest rate among the states and the District of Columbia. The state's average unemployment rate from January through November 2003 was 4.3 percent, compared to the national rate of 6.0 percent. Maryland ranked 11th among the states and the District of Columbia. In addition, the state's rate eased slightly lower from the same period in 2002, down from 4.4 percent, while the U.S. rate edged upward from 5.8 percent.

Effective economic development activities require a focus not just on the creation and retention of jobs, but the creation and retention of jobs in strategic industries. The best jobs are those that pay high wages and that will continue to exist for years to come—tomorrow’s jobs today. With this in mind, the department has identified key industries to target for job creation. These include: advanced technology (which includes aerospace, defense and information technology), biotechnology, manufacturing and financial services. Those sectors and the department’s activities in fostering them are profiled on the following pages.

Advanced Technology

Overview of Sector

Several key areas of emerging technology in Maryland are in the advanced technology sector. While advanced technology is not a new entity and often overlaps with other industry sectors, two major clusters of world class expertise stand out within the advanced technology market that DBED is aggressively pursuing. These are aerospace and defense (including defense electronics) and information technology.

Aerospace and Defense

Maryland has the highest percentage of professional and technical workers and is the leading space science research state with an exceptional confluence of federal agencies, facilities, higher education institutions and businesses.

Federal assets include the National Institute of Standards and Technology, National Security Agency, NASA Goddard, National Institutes of Health, National Oceanic and Atmospheric Administration, Patuxent River Naval Air Station, and Aberdeen Proving Ground.

NASA's second largest spending operation with some 12,000 scientists, engineers and support personnel is Goddard Space Flight Center (GSFC) in Greenbelt. GSFC also manages operations at Wallops Space Flight Center in Virginia, only five minutes from Maryland.

Governor Ehrlich recently signed a memorandum of understanding with Virginia's Governor Mark Warner to cooperatively promote WSFC, which is expected to be the nation's premier launch facility for light and small payloads.

Major aerospace and defense companies within Maryland include Lockheed Martin, Northrop Grumman's Electronic Systems Division, ARINC, Orbital Sciences, Manugistics, and Raytheon. These industry leaders are active in many or all of the business development sectors, but have established national



technological preeminence. Maryland's advanced technology sector also enjoys a strong international presence with leading companies such as BAE Systems (UK), Thales (France), Sinclair (Canada), Nurad (UK), Radiometrie (Germany), Advanced Defense Technologies (Israel), and Spirent (UK).

Information Technology

The information technology sector is alive and well in Maryland. Forty-nine percent of Maryland's high-tech workforce is employed in the IT sector.

Information security is the fastest growing area in Maryland's IT industry. The state is well positioned to capitalize on this growing market due to the presence of federal agencies, leading businesses and academic research centers. The federal government is the leading consumer of information technology in the world, and the National Security Agency (NSA) is the center of the information security industry. With the recent introduction of the U.S. Department of Homeland Security (DHS) within close proximity, Maryland now has an even greater competitive advantage. The nation's first incubator dedicated to homeland security technologies is located in Annapolis. The Chesapeake Innovation Center is a business incubator that serves as a hub of technology commercialization that will house 15-20 start-up companies in a 24,000 square-foot facility, focused on homeland and national security technologies. NSA is a founding partner along with Nokia, the University of Maryland, and The Johns Hopkins University.

Maryland business operations such as Northrop Grumman, SAIC, Raytheon, Symantec, SafeNet, BlueFire, Real User, SecureNet, and others perform leading work in wireline, wireless, data, network, encryption and other areas of information security.

Economic Impact

Maryland is a world leader in research and development. The state is first in the amount of federal spending for research and development *per capita*, receiving \$9.4 billion annually. This has allowed Maryland to exceed many of its neighboring states in technological breakthroughs.

The advanced technology sector provides high paying jobs to Maryland residents and contributes significantly to the state's revenue stream. Because Maryland businesses work with federal as well as commercial customers, the state enjoys greater stability in employment and other economic indicators than many others. Advanced technology jobs are among the best paid in industry. DBED personnel routinely work with operations where average salaries for new jobs exceed \$75,000 per year.

DBED's advanced technology team attracts new business investment to Maryland by marketing and promoting the state's wealth of federal and private research institutes and laboratories developing revolutionary technological products. The team is responsive to customers, delivering exceptional customer service and economic development opportunities, and attracts new businesses to Maryland that capitalize on technology assets enabling Maryland to emerge as a world leading technological industry cluster.

Information security is the fastest growing area in Maryland's IT industry. The state is well positioned with the necessary resources to capitalize on the this market.

Biotechnology

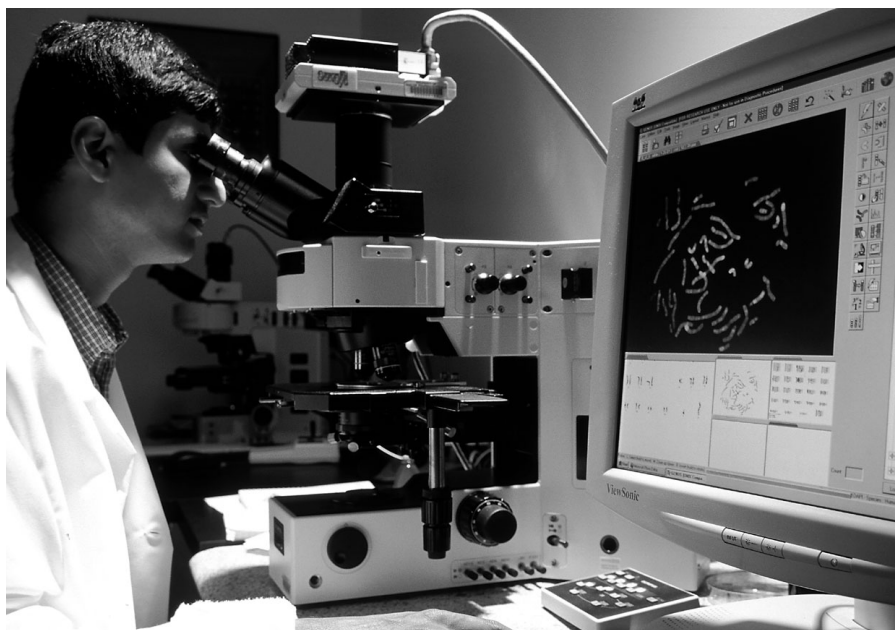
Overview of Sector

It was not that long ago that one could count the number of biotechnology companies in Maryland on two hands. That was in the early 80s when the entire industry was still moving from infancy to adolescence. Now, some 20 years later, Marylanders are beginning to enjoy some of the benefits that come with being a leader in one of the top economic industry sectors of the 21st century. Maryland's steady growth is reaping national attention. In June 2002, The Brookings Institution described Maryland as

... among the nation's nine leading biotechnology centers ... possessing the key ingredients for biotech growth: strong research and the ability to convert research into commercial activity...

Ernst and Young and the United States Department of Commerce have ranked Maryland as second in the U.S. (behind only Massachusetts) in density of bioscience companies, relative to state population, and third overall in the number of companies in-state.

A key driver behind Maryland's success is the critical mass of federal institutions and agencies conducting cutting-edge research, such as the National



Institutes of Health, the Food and Drug Administration, the National Institute of Standards and Technology, the U.S. Department of Agriculture's Beltsville Agricultural Research Center and Walter Reed Army Medical Center. In this regard, Maryland is first in the amount of federal spending for research and development *per capita*, receiving \$9.4 billion annually. Another \$1.6 billion goes into research grants at The Johns Hopkins University and the University System of Maryland. This investment produces tremendous economic benefits—more than 100 bioscience companies have “spun out” from researchers associated with

NIH, Johns Hopkins, and the University of Maryland. These companies occupy the full spectrum of bioscience activity including biotherapeutics and diagnostics discovery, biomanufacturing and bioprocessing, bioinformatics, genomics and proteomics.

Importance of sector to Maryland

What does this all mean to Maryland? First, it means outstanding educational

opportunities for our children. Maryland educational institutions have done a superb job of meeting the needs of these high technology institutions and companies. We are first in the U.S. in the percentage of our workforce with a B.A. or higher degree (38 percent). In 2001, Maryland graduated more than 250 students in associate and non-degree technical biotech programs. Another 7,500 received bachelor's degrees in biotech related fields. Nearly 700 received master's degrees and over 1,000 earned Ph.D.'s. In all, some 2,000 students per year receive degrees in bioscience related fields in Maryland. In recognition of this, the Progressive Policy Institute's New Economy Index for 2002 named Maryland "First in the nation in workforce education."

Through its seed and early stage financing programs, DBED carries a portfolio of over 80 companies and leverages additional venture capital in Maryland.

Another benefit is more opportunities for high paying and desirable employment. With investments in education and federal and academic research, more than 57,000 Marylanders work in biotechnology in the public arena. Another 43,600 work in biotechnology for our private companies. Once again, Maryland excels in the numbers:

- First in the nation for percentage of the workforce in professional and technical positions (25 percent).
- Second per capita in the U.S. for doctoral scientists and engineers.

Biotech business opportunities in Maryland

And, it means Maryland is a great place to start a bioscience company. DBED works within a network of associations and institutions to make entrepreneurial dreams come true. Through its seed and early stage financing programs, DBED carries a portfolio of over 80 companies and leverages additional venture capital in Maryland. More than 100 investors saw potential companies present their plans at a recent Bio Venture Forum. Seven venture capital limited partnerships totaling \$11 million since 1995 have on average 27 percent of their portfolios invested in Maryland companies. It also makes Maryland a great place to succeed as a biotechnology entrepreneur. Of 41 companies receiving DBED's Enterprise Investment, 75 percent are still in business.

Maryland is a world center for solving the mysteries of human disease. The human genome was sequenced here—establishing the foundation for a new class of individualized therapeutics. Maryland companies have over 40 drug candidates in clinical trials for the diagnosis and treatments of cancer and AIDS and other debilitating diseases. Whether it's a diagnostic tool for cervical cancer, a vaccine for staph, or a rapid anthrax detection kit, Maryland companies impact our lives.

Everyday, Maryland's biotechnology community is making a real difference to our lives. It is for this reason that we seek to continually nurture and grow—and benefit from—this unique part of Maryland's business community.

Finance, Insurance and Real Estate

Overview of Sector

The backbone of the Maryland economy, the Finance, Insurance and Real Estate (FIRE) sector is looking to build on a successful year that reached a high point with the addition of Morgan Stanley's regional processing center, which will create a total of 600 future jobs. Thanks to a strategic location, low costs, a highly skilled workforce and a long history of banking, Maryland has never looked more inviting to financial institutions, investment banks and insurance carriers.

Importance of sector to the state

Statistics from 2003 published by the U.S. Department of Commerce, Bureau of Economic Analysis show that the FIRE sector is the second largest contributor to the Maryland Gross State Product at 21.6 percent, or \$42.03 billion of direct value to the state. Other significant contributions to the state attributable to FIRE include:

- \$8.05 billion of direct payroll wages
- \$53,196 average wage is 35.1 percent higher than the statewide average
- 12,705 Maryland companies supports 151,187 jobs or 6.2 percent of total Maryland employment



The state's efforts to strengthen the sector

DBED's FIRE unit has recently been renamed the Finance Industry Team to emphasize the monetary markets which they target and to capitalize on the long history of banking in the area. The team's key targets are financial institutions, investment banks and insurance carriers.

The FIRE unit came into being as a result of the entire restructuring of DBED in 2000. The new alignment focused on industry segments rather than geographical regions.

"Nothing survives without FIRE," said Senior Finance Executive, Norman Swoboda. "No other industry exists without FIRE." Swoboda means that without the financial institution and its various sub-groups, there would be no manufacturing, technology or biosciences businesses.

Maryland has broad appeal for businesses looking to relocate or expand. Critical decision making on whether a company moves to Maryland or decides to stay is usually based on a number of factors. These factors are:

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- Strategic location—Maryland is at the geographical center of the East Coast financial industry and accessible to over 90 million people and one-third of the nation's effective buying income. An eastern time zone location provides for an overlapping of business hours for international financial markets. Penn Station's Amtrak and commuter service and Baltimore/Washington International Airport are within 20 minutes of the central business district.
 - Low cost of doing business—Labor costs, real estate, taxes
 - High-skilled workforce—four-year and two-year colleges, graduate school programs for M.B.A. and M.S., professional schools
 - Quality of life—low cost of living, housing, sports, entertainment and cultural arts

The Finance Industry Team has modeled each marketing mission on these factors and has consistently achieved their annual goals.

The Morgan Stanley Story

The decision for Morgan Stanley to establish a regional processing center for institutional securities began with a consultant's referral. In the end, it was the dedication, perseverance and forthright approach by the Finance Industry Team, along with other key strategies, that led the stalwart securities giant to Baltimore and Maryland.

According to Morgan Stanley Managing Director David Neuwirth, who headed up the project, the final decision rested on three factors: 1) Baltimore's low-cost and available labor pool, 2) the strength of its educational system and universities, and 3) the accessibility to New York City.

The number of jobs the project brought was a big win for DBED and establishes a strong presence at the redeveloped Bond Street Wharf in Fells Point. This year Morgan Stanley introduced between 200 and 250 new jobs to the area and have committed to a total of 600 jobs over the next six years. This translates into one of the largest Finance Industry Team missions since the inception of the unit.

The success of the Morgan Stanley project has become a standard by which other projects will be evaluated. It remains a high point for the Finance Industry Team and as one team member says, "this has put Maryland and DBED on the radar screens in other cities."

Other employers that added to the Maryland workforce include Citicorp Credit Services, Inc., Sears Roebuck & Company, Toronto Dominion Bank Financial Group and ULLICO.

In a very competitive high stakes environment, the Finance Industry Team is continually looking for new opportunities that will take DBED to the next level of achievement.

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Manufacturing

Overview of sector

Maryland has a 150-year tradition in the manufacturing sector. The world's first disposable bottle cap was invented and manufactured here and Maryland was also home to a company that developed and produced a new invention called the umbrella, all detailed on the Maryland Milestone Wall in Baltimore's Museum of Industry. Museum exhibits establish that Baltimore served as one of the busiest and most important ports in America, with a replica of an early dock and dockmaster's shed and visitors can walk through the original 1865 Platt Oyster Cannery structure.

Instead of the grimy, noisy places they once were, however, manufacturing facilities have become clean, bright environments. State-of-the-art technology often makes manufacturing jobs less labor intensive than ever before, requiring more brains than brawn.

Today's sector also encompasses a wide variety of industries, ranging from steel and shipbuilding, to seasonings and clothing. In fact, the state's manufacturing concerns span 19 of the 20 major industrial categories.

Importance of sector to the state

Despite the sea change in the manufacturing industry, the jobs it offers continue to be important to Maryland. Manufacturing jobs pay an average annual salary of \$47,136 — 30 percent higher than the average \$36,097 paid by other private sector employers in the state.



In fact, the sector generated \$8 billion in wages in 2001, and contributed \$536 million in state and local taxes.

In 2001 there were a total of 168,000 manufacturing jobs in Maryland, representing 7.2 percent of all private sector jobs. Even though that figure is 13.4 percent below the national average, the manufacturing industry in Maryland has a impact that goes beyond its direct employment numbers.

It is estimated that every \$2 million in sales of manufactured product supports 10 manufacturing jobs. But it is also responsible for 13 other jobs in the construction, agriculture and services sectors. Each manufacturing job supports an additional 1.3 positions — or an additional 400,000 jobs and the pay they bring with them.

Maryland works to increase manufacturing jobs

Maryland has more competition to worry about than just the other 49 states. We live in a new global economy, and manufacturers throughout the country and, indeed, throughout the world face the same challenges that their counterparts in Maryland do: recruiting and retaining a qualified workforce, rising operating costs, the increasing need for advanced technology and, of course, competition.

“Manufacturing remains the prize sought by every entity engaged in economic development throughout the world,” says Aris Melissaratos, Maryland’s Secretary of Business and Economic Development. “As part of a vigorous and strategic business retention effort in Maryland, our department set out to listen to the concerns of manufacturers to provide enhanced support to a what is undoubtedly the most significant contributor to Maryland’s strong economic base.

“The State of Maryland already offers a number of assets that serve as the foundation for manufacturing companies to grow and expand in the state,” he says. “Maryland has a highly skilled workforce, is competitive in many areas in terms of operating costs and tax burden, provides strong educational and intellectual capacity, offers a number of programs to help manufacturers, and has an ideal location and comprehensive infrastructure system to facilitate warehousing and distribution.”

Toward reaching the goal of increasing that base, the state’s General Assembly established the Maryland Advisory Commission on Manufacturing Competitiveness in 1994. The commission was charged with the task of researching issues regarding the competitiveness of the state’s manufacturing sector and making recommendations for improving it.

In April 2002, the group was reactivated and has been busy ever since. In December the commission issued a report that included 10 recommendations to expand and strengthen the manufacturing base in the state. The report was commissioned by DBED and detailed the status of manufacturing in Maryland and challenges faced by the industry sector. The report was developed through input provided by more than 120 Maryland manufacturers in seven regional forums throughout the state in 2002. A full copy of the report is available on ChooseMaryland.org, the department’s Web site.

The reinvigorated Maryland Advisory Commission on Manufacturing Competitiveness has established subcommittees to address a number of issues affecting the manufacturing industry including developing a strategic plan for manufacturing in Maryland. The group continues its activities, working on a solution to infrastructure problems and improving the image of manufacturing in the state.

Despite the sea change in the industry, it continues to be important. Manufacturing jobs pay an average annual salary 30 percent higher than other private sector employers in the state.

Maryland companies that make up the state's manufacturing base

Major manufacturers include General Motors, Allison Transmissions, Northrop Grumman, Volvo/Mack Truck, Lockheed Martin, McCormick & Co. and Jos. A. Bank. But the complete list of major manufacturers is much more comprehensive.

Company	City	Product Description
Airpax	Cambridge	Magnetic circuit breakers, protectors & packages, Frederick thermostats & thermosensors
Alcoa Eastalco Works	Frederick	Aluminum billets, ingots and slabs
Baltimore Aircoil	Jessup	Cooling towers, vapor condensers, heat exchangers, air conditioning equipment & industrial water coolers
Allison Transmissions	White Marsh	Truck transmissions
COMSAT	Bethesda	Satellite communication equipment
Duron Paints & Wallcoverings	Beltsville	Varnish, latex paints & stains
Filtronic Comtek	Salisbury	Electronic assemblies for the cellular industry
General Motors	Baltimore	Automobile assembly
Grace Chemical	Curtis Bay	Chemicals: silica gels; research & development
Hughes Network Systems	Germantown	Communications equipment & systems
K&L Microwave	Salisbury	Microwave & RF components, filters, switches & digital tuners
Litton Advanced Systems	College Park	Detection equipment, electronic warfare, digital graphic communications & telecommunications systems, air traffic control electronic, communication & voice switching systems
Lockheed Martin	Bethesda	Space & defense systems & products; aircraft components, computerized information & communication systems
Volvo/Mack Trucks	Hagerstown	Class 8 diesel engines & transmissions
McCormick & Company	Hunt Valley; Sparks	Spices and packaging
MedImmune	Gaithersburg	Pharmaceutical research & development
Middle River Aircraft Systems	Middle River	Aerospace equipment & launching systems
Northrop Grumman	Baltimore;Sykes- ville;Annapolis	Surveillance radar & fire control systems, electronic counter-measure equipment, electro-optical & space borne sensors, sonar & air traffic control systems
Perkin-Elmer Fluid Sciences	Beltsville	Aerospace components: metallic seals, aircraft ducting components & seals used in computers
Poly-Seal	Baltimore	Plastic closures
Procter & Gamble Cosmetic	Hunt Valley	Cosmetics
Raytheon Systems	Towson	Military identification systems, communications equipment & air traffic control systems
Sweetheart Cup	Owings Mills	Plastic straws, foam & paper cups & plates
Westvaco	Luke	Fine printing paper

Tourism, Film and the Arts in MD

Overview of sector

Tourism, filmmaking and the arts may not seem related at first glance. Together, however, the three areas of focus are an economic powerhouse in Maryland. Tourism in Maryland has grown to a nearly \$9 billion industry, generating \$709 million in state and local taxes and providing more than 105,000 jobs. Maryland's film office is also continuing to attract more major feature films and television series, helping to boost its economic impact to record levels of \$125 million in FY 2003. And, Maryland's arts community is also growing, with nearly \$900 million in economic impact generated by 11 million art and culture lovers annually.

For this reason, the Division of Tourism, Film and the Arts, comprised of the Maryland Office of Tourism Development, the Maryland Film Office and the Maryland State Arts Council, promotes Maryland as a great state in which to tour and travel, as the ideal venue for feature films, television series, videos and commercials and as an outstanding hub of culture and art.

In FY 2003, the Maryland Office of Tourism Development (OTD) continued to promote Maryland through its "Welcome" advertising campaign, drawing new tourists to Maryland, as well as meetings and conventions. The latest figures show that more than 19 million people visited Maryland in 2002, staying an average of 2.8 nights—an increase from 2.4 nights in 2001.

A phenomenal return on investment

Overall, spending by Maryland's visitors contributes nearly \$9 billion to the state's economy, \$709 million in state and local taxes and provides 105,400 jobs.

Total dollars spent by visitors who have responded to the Office of Tourism Development's aggressive promotion of Maryland is more than \$46 million. These dollars go into the economy by the spending of visitors at the state's hotels, B&Bs, attractions, restaurants, and other tourism-related business. This translates into an almost \$18 return on investment for every \$1 spent on the promotion of Maryland as a travel destination.

The total taxes paid by visitors on lodging, admissions, goods, and services are approximately \$5.8 million, which equates to a more than \$2 to \$1 return on investment.

The Office of Tourism Development received \$3 million in funding from the National Park Service and Federal Highway Administration to develop new product infrastructure and to market the product once it is available. The products that received funding are: The State Scenic Byway Program; The Chesapeake Bay Gateways Network; Maryland Civil War Trails program; and The Historic National Road.

OTD has worked collaboratively with the Division of Regional Development and the private sector to provide Hospitality Workforce Training to front-line employ-

ees including front desk staff; taxi cab drivers; concierges; state park service personnel and police; and county visitor staff.

The Maryland Film Office, which promotes Maryland to film, television and commercial companies, had a banner year in FY 2003, reporting a record \$125 million in economic impact and nearly doubling FY 02's total.

Maryland hosted 286 days of filming for major film and television production.

The Maryland Film Office's biggest success story was the filming of Disney's *Ladder 49*, starring Joaquin Phoenix and John Travolta. Shot entirely in Maryland, the film highlights the lives of Baltimore City firefighters and will be released sometime in 2004. The movie filmed in the state for 70 days, occupied 7,500 hotel rooms, hired 400 local technicians and used about 3,000 actors and extras and worked with more than 140 businesses in Maryland.

Several independent films also shot in Maryland, including the John Waters film *A Dirty Shame* starring Tracey Ullman and Selma Blair. A direct to DVD feature, *Beauty Shop*, starring Vivica A. Fox and *Swimmers*, which was directed by an Eastern Shore filmmaker, were also shot in Maryland.

Production in Maryland also included two major projects for television: the HBO television series *The Wire*, which filmed 12 episodes of its second season in Baltimore, and the Discovery Channel's *Spy Master USA* series.



In addition, there were 79 other productions in Maryland, including short films, commercials, documentaries, music videos and industrial videos.

The Maryland State Arts Council encourages and invests in the advancement of the arts; supports artists and arts organizations, ensures the accessibility to all citizens and promotes statewide awareness of arts resources and opportunities.

In FY 03, the Arts Council provided up to 6.56 percent of operating budgets to those arts programs and organizations achieving the highest standards of artistic excellence. Awards

were made to over 300 organizations, including local arts councils in the 24 jurisdictions.

The arts generate more than \$898 million in economic impact and \$32 million in local and state tax revenues. In addition, for every \$1 of direct spending by audiences generates an additional \$2.30 in secondary expenditures. Roughly 11 million people attended arts events.

More than 400 Maryland schools received Arts-in-Education funds from the Council to encourage and support artist-in-residence programs.

The Arts Council launched a newly redesigned Web site that offers expanded capabilities and serves as a local, regional and national arts resource.

The Arts Council, in partnership with Lockheed Martin, awarded more than \$80,000 in Technology Enhancement funds to 25 arts organization for the purchase of computer hardware.

Maryland Traditions, a component of the Council's Folk and Traditional Arts Program, was awarded \$26,000 from the National Endowment for the Arts. Funds will be used to seed an Apprenticeship Program in the Traditional Arts of Maryland. The Maryland Traditions Program is a partnership between Maryland State Arts Council and Maryland Historical Trust.

Small and Minority Businesses

Overview of Sector

Small and minority-owned businesses comprise 95 percent of all Maryland companies and employ 39 percent of the civilian workforce. Minority firms operate in every community of the state, providing a valuable outlet for the entrepreneurship that fuels the state's economy. The Ehrlich/Steele Administration is committed to ensuring that all Maryland businesses, particularly small and minority businesses, have the tools they need to grow, create jobs and bring shared prosperity to communities across the state.

The Governor's Office of Business Advocacy and Small Business Assistance (GOBA) exists to help Maryland businesses navigate the processes and regulations of local, state and federal governments. GOBA provides personalized attention to business clients, acting as liaison, information provider, ombudsman and problem-solver to meet and resolve business concerns quickly and efficiently.

Over the past four and one-half years, GOBA has served over 3,500 businesses and achieved a 97 percent success rate in customer satisfaction.

At the forefront of small business assistance is the collaborative effort between staff members and various regulatory, financial and governmental agencies to help small and minority-owned businesses traverse the complex policies and procedures to insure a successful venture. The goal is to connect small and minority-owned businesses to the appropriate resources, provide good information and offer everything from permits and licensing requirements to creating a business plan.

Year 2003 Highlights:

- Launched small business training initiative, in partnership with Baltimore City Community College, to provide training in marketing, financial management, grant writing and computer applications
- Co-sponsored with BCCC “Wednesday Workshops” to address specific needs and training for small and minority-owned businesses to enhance business development.
- Statewide emergency and disaster relief coordination for small and minority-owned businesses in the aftermath of Tropical Storm Isabel.
- Reorganization and expansion of GOBA to bring greater focus and assistance to small and minority-owned businesses in marketing development, financial resources and advocacy.
- Creation of a Regulatory Relief Center to assist small and minority-owned businesses in navigating local, state and federal regulations and processes.

Year 2004 Initiatives

- Build a mentoring program that brings together small business owners with experienced business leaders in similar industries. Northrop Grumman is the first to sign on as a corporate mentor.
- Procurement assistance to provide access for small and minority-owned businesses to procurement opportunities by offering internal and external outreach programs.
- Assistance to non-profits, which employ nearly 212,000 people, generate \$6.8 billion in wages and account for 8.6 percent of Maryland’s total employment, to address the needs of this unique sector of the state’s economy.
- Serve as point agency for emergency and disaster relief coordination for the state in the interest of small businesses affected by natural or emergency events. Also, serve as outreach coordinator on homeland security issues.
- New marketing services providing assistance on branding, publicity, community relations, etc.

Department Accomplishments

Making Maryland Businesses More Competitive

- **High-Speed Internet Access**—The lack of affordable high-speed internet access on the Eastern Shore has made it difficult for the region to attract technology and related businesses. DBED staff worked with the nine Eastern Shore counties, the Eastern Shore regional councils and the Maryland Technology Development Corporation—TEDCO—to address this need. On October 31, Governor Robert L. Ehrlich, Jr., and Verizon Maryland President William Roberts announced that Verizon is extending its DSL broadband service to 26 Eastern Shore communities as part of a larger strategy by Verizon to extend its DSL coverage in other rural areas of the state.
- **Maryland Advisory Commission on Manufacturing Competitiveness**—The reinvigorated Maryland Advisory Commission on Manufacturing Competitiveness met and established subcommittees to address a number of issues affecting the manufacturing industry including developing a strategic plan for manufacturing in Maryland, working on a solution to infrastructure problems and improving the image of manufacturing in the state.
- **Small and Minority Business Initiatives**—The Governor's Office of Business Advocacy and Small Business Assistance was expanded to target greater resources on small and minority businesses. Ensuring that all Maryland businesses, particularly small and minority businesses, have the tools they need to grow and create jobs in communities across the state has been a priority of the Ehrlich/Steele Administration.

Retaining Jobs in Maryland.

- With the acquisition of Bethlehem Steel by ISG in May 2003, the jobs of several thousand Baltimore steel workers were in jeopardy. DBED worked with ISG during the transition to help the company navigate the transfer of operations without any interruption in service. As a result of these actions approximately 2,600 Bethlehem Steel workers were retained.
- When the St. Paul Companies decided to sell its Mount Washington campus in Baltimore to The Johns Hopkins University, the jobs of more than 800 workers were in danger of leaving the state. DBED staff assisted the company and its broker-consultant in finding a new location in a refurbished 150,000-square-foot building in Hunt Valley, Md., thereby maintaining the company's strong presence in Maryland.
- The department finalized an incentive package to retain the Mack Truck facility in Hagerstown. This company, which is owned by Volvo and is one of the world's largest producers of heavy-duty diesel engines, selected the Hagerstown facility as its North American manufacturing site for the next generation of Volvo Trucks and Mack Truck engines. The incentive package, which includes a \$2 million Sunny Day loan, a \$1.5 million MEDAAF conditional loan and \$1.1 million of training assistance, will result in the retention

of over 1,000 manufacturing jobs in Washington County/Hagerstown and a \$150 million investment by Volvo in the Hagerstown facility.

- Hi-Tech Plastics, a manufacturing company located in Cambridge, was seriously affected by the closure of the Black and Decker facility in Easton and would not have been able to continue operations in Cambridge. In June, the department approved a \$755,685 loan to the Maryland Economic Development Corporation for the acquisition of the Hi-Tech Plastics Building in Cambridge. The project will allow MEDCO to lease the facility to Hi-Tech Plastics, allowing the company to continue its operations and retain 45 positions in Dorchester County.
- The department approved a \$500,000 conditional grant to the PH&H Vehicle Management Services. The funding assisted PH&H in relocating its corporate headquarters from Hunt Valley to Sparks. As a result the company made a capital investment of at least \$15 million in the relocation and resulted in the retention of 950 jobs in Baltimore County and creation of 200 jobs.

Creating New Jobs in Maryland/Business Relocations

- The department approved a \$3.5 million Sunny Day incentive for the relocation of the Morgan Stanley Institutional Processing Center into Baltimore City. This is a three-phase project with the first phase totaling \$1 million and the creation of 150 jobs and a capital investment of \$5.5 million. As Phase II and III are completed, the project will employ 600 people in high paying jobs.
- Federal Express Ground, a unit of FedEx Corporation, announced it will build its new Mid-Atlantic processing center in Washington County. The facility is expected to initially employ 400 full and part-time employees and independent contractors. The department will provide a \$1.2 million conditional grant in addition to workforce training assistance.
- The department approved a \$600,000 conditional loan to the Intelsat Mountainside Teleport Corporation, a remote processing center for the Intelsat Corporation. A competitive win over Virginia, the facility is located outside of Hagerstown in Washington County and will create at least 100 new jobs and a capital investment of \$40 million.

Investments in the Future of the Maryland Economy

- The state, through DBED's Sunny Day program, invested in three projects that will greatly benefit Maryland's bioscience and advanced technology industries. 1)The University of Maryland Baltimore BioPark, a business incubator and office space to attract businesses that have unique relationships with the University researchers. Once completed, it is estimated this facility will employ over 360 technology researchers and scientists. 2)The University of Maryland Research Technology Park in College Park will feature state-of-the-art research, laboratory and incubator facilities. Activities at the new facility will focus on the advancement of technology, computer science, mathematics, engineering, physical and life sciences, and biotechnology. 3)The University of

Maryland Bioprocessor will support private sector research and development for a number of Maryland's pre-eminent biotech companies at their early stage, including Martec, MedImmune and HGS.

- The department approved a \$4 million investment with the Industrial Development Authority of Carroll County for the redevelopment of the Warfields Complex in Sykesville. The complex is part of the campus of the Springfield State Hospital. The funded infrastructure improvements and renovations will allow the reuse of this historic facility for commercial purposes.
- The Calvert County Spec Building was an investment made by the department to MEDCO for the construction of a 30,000 square foot building to attract high-technology employers to the newly created industrial park in Lusby. This site is about five miles north of Solomon's Island and has the ability to house technology businesses supporting the Patuxent River Naval Air Station facilities.
- The Investment Financing Group provided \$2.2 million in investments in 16 technology companies through the Challenge and Enterprise investment programs. Companies that received funding included Brainchild, B.D. Metrics, VapoTherm, Navtrak, Sequella and Tenable Network Security.

Promoting Maryland as the ideal location for tourism, film and the arts

- In fiscal year 2003, tourist expenditures totalled \$8.5 billion and the industry contributed approximately \$708 million to state and local tax bases. Total expenditures by visitors responding to our aggressive promotion of Maryland is more than \$46 million, including spending by visitors at hotels, B&Bs, attractions, restaurants and other tourism-related businesses. This translates into an almost \$18 return on investment for every \$1 spent on the promotion of Maryland as a travel destination.
- In 2003, film production activity in Maryland generated approximately \$65 million in direct expenditures. With a total operating budget of \$1 million, that equals a 65 to 1 return on investment. In addition, by using the industry standard multiplier of 2.17, these direct expenditures resulted in an economic impact of \$125 million. Maryland hosted 286 days of filming for major film and television productions. In addition, there were 79 other productions including short films, commercials, documentaries and music and industrial videos.
- The total economic impact of the arts in Maryland is \$898 million. \$32 million is generated in local and state tax revenues. Every \$1 of direct spending by audiences generates an additional \$2.30 in secondary expenditures. Eleven million people attended arts events. In 2003, over 400 Maryland schools received Arts-in-Education funds from the Maryland State Arts Council to encourage and support artist-in-residence programs. Through the council's Multicultural Outreach Program, over 32 technical assistance workshops were conducted for new and emerging arts organizations and presenters.

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